

ALTIUS HOLDINGS INC

CONSOLIDATED SPECIAL PURPOSE FINANCIAL STATEMENTS

For the year ended 31 December 2009

Altius Holdings Inc

Officers' report

The Officers of Altius Holdings Inc (the "Company" or "Altius") present their report together with the audited consolidated special purpose financial statements for the year ended 31 December 2009 for the Company and its subsidiaries.

The Company came into existence in its current form on 1 January 2010, following the amalgamation of three pre-existing Canadian companies (Altius Energy Corporation, Arawak Acquisition Inc and 1153264 Alberta Limited) with Altius Holdings Inc in accordance with Canadian legal practice. These special purpose financial statements have been prepared on the basis that this legal amalgamation occurred on 1 January 2008 and that Company had adopted International Financial Reporting Standards from inception (except as explained in the basis of preparation note).

In addition, the special purpose financial statements have been prepared on the basis that the group represents the results of the Kazakhstan production and development assets. All exploration assets previously held by one of the Company's subsidiaries were transferred out of the group with effect from 31 March 2010. The special purpose accounts have been prepared on the basis that the exploration assets were never owned by the business.

Principal Activities & Business Review

Altius is an upstream oil and gas company with a balanced portfolio of development and production assets focused in the prolific Oil producing basins of Kazakhstan.

Results & Dividends

The Company's consolidated financial statements for the year ended 31 December 2009 are set out on pages 8 to 34. The Company has not declared or paid any dividends in 2009 or 2008. For the foreseeable future, the Company anticipates that it will retain future earnings and other cash resources for the operation and development of its business.

Directors

The directors of the company as at 31 December 2009 with subsequent changes as are follows:

Alastair D McBain	
Wendy Poon	appointed 24 April 2009
Jeffrey Peacock	appointed 24 April 2009, resigned 26 March 2010
Bruce Greenbank	appointed 26 March 2010
James Coleman	resigned 24 April 2009
Michael Volcko	resigned 24 April 2009
Charles Carter	resigned 24 April 2009

Officers

The following individuals were officers for the group throughout the period:

Alastair McBain	Chief Executive Officer
Shahveer Kapadia	Chief Operating Officer
Charles Carter	Chief Financial Officer (resigned 2 April 2009)
Simon Blaydes	Chief Financial Officer (appointed 2 April 2009)

Important events since the year end

Construction of the PSP facility at Kenkiyak and the oil transportation pipeline between the Akzhar field and Kenkiyak commenced in late 2009. Construction of the PSP and the pipeline was completed in March/April 2010, with the PSP coming on stream immediately following regulatory approval. Pressure testing of the pipeline was completed satisfactorily, regulatory approval was issued and enabling the pipeline to come on stream in June 2010. The pipeline enables us to virtually double's our production capacity from the Akhzar field and has the potential for a further significant increase in capacity at limited additional capital cost. Completion of the pipeline and PSP enables very significant increases in production from the Akhzar field, which is currently constrained by transport capacity issues.

At the end of May 2010, the group repaid the outstanding \$45 million loan with Calyon.

Oil and gas reserves

The group's share of the latest available independent external assessment of the Oil and Gas reserves of the group are as follows:

Country	Proved reserves (mmBbls)	Probable reserves (mmBbls)	Possible reserves (mmBbls)	External assessment performed	Effective date
Kazakhstan					
• Akzhar field	33.0	30.6	21.2	Ryder Scott	31/12/2009
• Besbolek field	7.1	2.9	1.6	Ryder Scott	31/12/2009
• Karataikyz	0.6	0.3	0.0	Ryder Scott	31/12/2009
• Alimbai	1.6	2.9	1.3	Ryder Scott	31/12/2009

The assessment has been performed in accordance with the requirements of the Society of Petroleum Engineers guidelines.

Statement of Officers' Responsibilities

The Officers are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Officers to prepare financial statements for each financial year. The Officers have prepared the group financial statements in accordance with International Financial Reporting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and of the profit or loss for that period. In preparing these financial statements the Officers are also required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates on a reasonable and prudent basis;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will be able to continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Officers confirm that they have complied with the above requirements in preparing the financial statements. In addition, so far as each Officer is aware, there is no relevant audit information of which the auditors are unaware and each of the Officers has taken all the steps that he ought to have taken in order to make himself aware of any relevant audit information and to establish that the auditor was aware of such information.

The Officers are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and that all financial information presented elsewhere in the Annual Report is consistent, where appropriate, with that contained in the financial statements.

The Officers are responsible for ensuring that the Company maintains systems of internal accounting and administration controls designed to provide reasonable assurance that the financial information is relevant, reliable and accurate. The Officers are responsible for the maintenance and integrity of the statutory and audited information on the Company's website.

Auditors

Ernst & Young LLP, Kazakhstan, ("E&Y LLP") have been appointed to audit these special purpose financial statements.

Alastair D McBain
Chief Executive Officer
29 October 2010

INDEPENDENT AUDITORS' REPORT

To the Management of Altius Energy Limited

We have audited the accompanying financial statements of Altius Energy Limited and its subsidiaries ('the Group') as enumerated on pages 5 to 50, which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Paul Cohn
Audit Partner

Evgeny Zhemaletdinov
Auditor / General Director
Ernst & Young LLP



State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

Auditor Qualification Certificate
No. 0000553 dated 24 December 2003

30 September 2010

Altius Holdings Inc

Consolidated income statement

		31 December 2009	31 December 2008
		\$000	\$000
For the years ended			
	Notes		
Revenue	7	134,363	159,488
Cost of sales	8	40,575	42,254
Gross profit		93,788	117,234
Distribution costs	9	23,145	18,287
General and administrative expenses	10	16,895	19,639
Operating profit		53,748	79,308
Finance income	12	1,542	3,608
Finance costs	12	3,913	2,961
Finance (cost)/income - net		(2,371)	647
Profit before income tax		51,377	79,955
Income tax expense	13	18,697	42,730
Profit for the year		32,680	37,225

Consolidated statement of other comprehensive income

There are no items of other comprehensive income in either year.

The accompanying notes on pages 8 to 34 are an integral part of these consolidated financial statements.

Altius Holdings Inc

Consolidated Statement of financial position

As at		31 December 2009 \$000	31 December 2008 \$000
	Notes		
Non-current assets			
Property plant and equipment	14	76,218	60,558
Intangible assets	15	45,337	46,283
Deferred income tax assets	24	1,535	1,137
Other non-current assets	16	69,870	65,656
		192,960	173,634
Current assets			
Inventory	17	5,309	6,084
Trade and other receivables	18	47,969	14,305
Cash and cash equivalents		6,612	21,228
		59,890	41,617
Total Assets		252,850	215,251
Current liabilities			
Trade and other payables	20	13,160	12,243
Corporate income taxes payable		1,645	14,900
Short term debt	21	14,844	14,799
Current portion of other long term liabilities	23	601	350
		30,250	42,292
Non-current liabilities			
Long term debt	22	51,827	44,403
Deferred income tax liabilities	24	12,780	4,234
Other long term liabilities	23	5,072	4,496
Provisions for decommissioning costs	25	5,327	4,912
		75,006	58,045
Net Assets		147,594	114,914
Shareholders' equity			
Share capital	26	52,419	52,419
Retained earnings		95,175	62,495
Total shareholders' equity		147,594	114,914

The accompanying notes on pages 8 to 34 are an integral part of these consolidated financial statements.

The financial statements on pages 8 to 34 were approved and authorised for issue by the Officers on 29 October 2010 and were signed on its behalf by

Alastair D. McBain
Director and Chief Executive Officer

Simon R Blaydes
Chief Financial Officer

Altius Holdings Inc

Consolidated statement of cash flows

For the year ended	Notes	31 December 2009 \$000	31 December 2008 \$000
Cash flows from operating activities			
Cash generated from operations		30,475	65,621
Interest received		42	114
Interest paid		(1,237)	(2,458)
Income tax paid		(23,796)	(37,341)
Net cash generated from operating activities		5,484	25,936
Cash flows from investing activities			
Purchase of Tangible and intangible assets		(22,019)	(42,685)
Net cash used in investing activities		(22,019)	(42,685)
Cash flows from financing activities			
Proceeds from long term debt - bank		2,800	59,117
Proceeds from long term debt – intra-group		17,800	-
Long term debt repayments		(17,800)	-
Proceeds from short term debt		-	5,000
Repayment of short term debt		-	(45,000)
Payment of other long term liabilities		(881)	(1,022)
Net cash generated from financing activities		1,919	18,095
Net decrease in cash and cash equivalents		(14,616)	1,346
Cash and cash equivalents, beginning of the year		21,228	19,882
Exchange gains/(losses) on cash and cash equivalents		-	-
Cash and cash equivalents at end of the year		6,612	21,228

The accompanying notes on pages 8 to 34 are an integral part of these consolidated financial statements.

Altius Holdings Inc

Shareholders' equity

	Share Capital \$000	Retained earnings \$000	Total \$000
Balances as at 1 January 2008	52,419	25,270	77,689
Result for the year	-	37,225	37,225
Balances as at 31 December 2008	52,419	62,495	114,914
Result for the year	-	32,680	32,680
Balances as at 31 December 2009	52,419	95,175	147,594

The accompanying notes on pages 8 to 34 are an integral part of these consolidated financial statements.

Altius Holdings Inc

Notes to the financial statements for the year ended 31 December 2009

All amounts are in thousands of U.S. dollars unless otherwise stated.

1. General information

Altius Holdings Inc (“the Company” or “we”) and its subsidiaries (together “the group”) is an independent upstream oil and gas company with a portfolio of development and production assets located in the prolific Oil producing basins of Kazakhstan. We operate four producing fields in Kazakhstan (Akzhar, Besbolek, Alimbai and Karataiky).

2. Basis of preparation

On 1 January 2010, three pre-existing Canadian companies (Altius Energy Corporation, Arawak Acquisition Inc and 1153264 Alberta Limited) were amalgamated with Altius Holdings Inc, in accordance with Canadian legal practice (see note 3).

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) except as described below.

The basis of preparation under which these accounts have been prepared results in the following material departure from IFRSs. In all other respects IFRSs have been applied:

- IAS 27 “Consolidated and Separate Financial Statements” defines a group as a parent and its subsidiaries and further describes how consolidated financial statements are prepared. The historical financial information does not include the results of operations of subsidiaries of the holding company Altius Holdings Inc. and therefore does not comply with the requirements of IAS 27.

These financial statements, which have been prepared specifically for the purpose of a regulatory filing for the listing of Altius Holdings Inc on the KASE, is prepared on a basis that consolidates Altius Petroleum International BV and its subsidiaries but excludes Balkhash Petroleum BV, Leopard Oil BV, Steppe Eagle Oil BV and Ibex Petroleum BV and their respective subsidiaries, by applying the principles underlying the consolidation procedures of IAS 27 for each of the two years to 31 December 2008 and 2009 and as of those dates. Management believe that presentation of the actual entities being listed provides more relevant information to the regulatory authority.

The consolidated special purpose financial statements of Altius Holdings Inc have been prepared in US dollars under the historical cost convention as modified by the revaluation of other financial assets and liabilities at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group’s accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the company’s financial statements are disclosed in notes 4, 5 and 6.

International Financial Reporting Standards

a) Adopted accounting standards and interpretations

The group has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations during the year, which did not have any effect on the financial performance or position of the group.

- IFRS 2 Share – based Payment: Vesting Conditions and Cancelations
- IFRS 7 Financial Instruments: Disclosures

- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- Improvements to IFRSs (May 2008)

The principal effects of these changes are as follows:

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group has elected to present one single statement.

Improvements to IFRSs

In May 2008 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group.

IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The group analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.

IAS 16 Property, Plant and Equipment: Replaces the term “net selling price” with “fair value less costs to sell”. This amendment had no immediate impact on the consolidated financial statements of the group because the recoverable amount of its cash generating units is currently estimated using “value in use”.

IAS 36 Impairment of Assets: When discounted cash flows are used to estimate “fair value less cost to sell” additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate “value in use”. This amendment had no immediate impact on the consolidated financial statements of the group because the recoverable amount of its cash generating units is currently estimated using “value in use”. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the group as it has one single reportable segment.

IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the group either has the right to access the goods or has received the service. This amendment has no impact on the group because it does not enter into such promotional activities.

Other amendments resulting from Improvements to IFRSs to the standards did not have any impact on the accounting policies, financial position or performance of the group.

b) Standards and interpretations that are not yet effective but have been early adopted by the group

The group as a first time adopter has adopted early (with effect from 1 January 2008) IAS 23 - Borrowing

Costs. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the group will adopt this as a prospective change, IAS 23 becomes effective for financial years beginning on or after 1 January 2009. Accordingly, borrowing costs have been capitalised on qualifying assets with a commencement date after 1 January 2008. No changes will be made for borrowing costs incurred prior to this date that have been expensed;

c) New standards and interpretations effective in 2008 and 2009, which have been adopted, but not had any significant impact on the group

The following IFRS, IFRIC interpretations and improvements to IFRS are not yet in effect for the year ended December 31, 2009:

- IAS 27 Consolidated and Separate Financial Statements - amendment
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IFRS 9 Financial Instruments
- IAS 24 Related Party Disclosures – amendment
- IFRS 1 First-time Adoption of International Financial Reporting Standards
Additional Exemptions for First-time Adopters
- IFRS 2 group cash-settled share-based payments transactions
- IAS 39 Eligible hedged items
- IFRIC 18 Transfer of Assets from Customers
- IAS 32 Classifications of rights issues
- Improvements to IFRSs (April 2009)

Management does not expect the above standards and interpretations to have a material impact on the group's financial position or results of operations.

d) Standards and interpretations that are not yet effective and not relevant to the group's operations

IFRIC 17 *Distributions of Non-cash Assets to Owners*. This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the group has not made non-cash distributions to shareholders in the past.

3. Significant accounting policies

Principles of consolidation

Subsidiaries are all entities over which the group has power to control the financial and operating policies. This generally requires a shareholding of more than 50 % of the voting rights. Subsidiaries are fully consolidated or deconsolidated from the date at which control is transferred to/from the group respectively.

Business combinations

The amalgamation discussed in Note 2 of three pre-existing Canadian companies with Altius Holdings Inc represented a reorganization of enterprises under common control and, accordingly, was accounted for at predecessor book values in a manner similar to a pooling of interests. The financial statements have therefore been presented as if these common control transactions occurred from the beginning of the earliest period presented, i.e. 1 January 2008.

The purchase method of accounting is used to account for the acquisition of subsidiaries and by the group, in accordance with normal accounting methodology for business combinations.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the fair value of the group's share of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Foreign currency

The financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US Dollars, which is the company's and groups presentational currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Oil and gas properties

Altius' accounting policies for Oil and gas properties differ depending on the developmental stage of the asset. Assets are capitalised as intangible or tangible assets depending on the nature of the expenditure or the stage of development of the property.

a) Pre-licence expenditure

Any expenditure incurred prior to obtaining an exploration licence (or similar) rights is expensed as incurred

b) Exploration and evaluation phase assets

(i) Licences and similar rights

The cost of acquiring property exploration and development licences (or similar rights) along with any incidental costs relating to the acquisition of the licence are capitalised as an intangible asset. Licences are amortised on a straight line basis over the expected remaining life of the licence from the date of acquisition. In some instances it may be possible to extend the term of the licence. The expected remaining life of the licence used for amortisation purposes, does not reflect licence extensions until the application for extension has been substantively approved.

(ii) Exploration and evaluation expenditure

All expenditure incurred prior to technical and commercial evaluation of the property is capitalised on a property by property basis. Associated equipment and similar expenditure are capitalised as property, plant and equipment. The remaining expenditure is capitalised as an intangible asset. The type of expenditure capitalised includes include land acquisition, geological and geophysical studies (both internal and externally sourced), exploratory drilling and direct production overheads that can reasonably allocated to these activities. Any costs associated with drilling dry wells, drilled in the exploration and evaluation phase, are always expensed on completion of the technical assessment of the exploration programme even if the impairment review undertaken at that point indicates no impairment provision is required.

Intangible exploration and evaluation assets are not subject to amortisation until development production commences. Property, plant and equipment that are consumed in developing an exploration and evaluation phase property are subject to depreciation over their useful economic life. The depreciation charge for such assets is capitalised as part of the cost of developing the intangible exploration and evaluation property.

Exploration phase assets are assessed annually for impairment purposes.

c) Development and production assets

Once a property has been assessed as being technically and commercially feasible to develop, the development stage is deemed to have commenced. Expenditure is recorded on an individual component basis and allocated to the appropriate cash generating unit basis and reported as development and production assets.

Development and production phase assets are depreciated using either straight line or unit of production basis, depending on the nature of the expenditure. Assets whose value is diminished with the passage of time are depreciated on a straight line basis over the assets useful economic life as set out below:

General plant & machinery	3 to 15 years
Oil and gas processing facilities	5 to 20 years
Pipeline and related equipment	5 to 20 years

Assets and residual expenditure whose value is diminished in accordance with the volume of production are depreciated using the unit of production method based upon estimated proved and probable reserves. The calculation includes an estimate of future development costs for extracting the proved undeveloped and probable reserves. Gross oil reserves are used to calculate depletion.

Asset retirement obligation

The Company recognises a liability for the fair value of legal and commercial obligations associated with the cost of decommissioning its oil and gas properties in the period in which the obligation is incurred. A corresponding asset is capitalised at the same date. The asset is subsequently depreciated in accordance with the policies set out above.

The liability is adjusted each reporting period to reflect revisions to the estimated future cash flows and for the passage of time. The liability accretes until the date of expected settlement of the retirement obligations. The related expense is charged to earnings as a finance cost. Actual expenditure incurred for

site reclamation and abandonment is charged against the liability to the extent it exists on the balance sheet with the difference recognised as a gain or loss in the period in which settlement occurs.

Historical cost and deferred licence acquisition costs

Certain of these liabilities do not fall due for payment for several years after initial licence acquisition. Such costs, along with any signing bonus' and/or tax payments are capitalised as part of licence acquisition cost and are initially recognised at their fair value. The associated liability is subsequently accounted for at its amortised cost, discounted using the appropriate effective discount rate for each country.

Impairment of oil and gas properties

Annually, the group reviews its portfolio of oil and gas property assets to determine whether specific or market wide events have occurred or information discovered, that may indicate that those properties may have suffered impairment.

Exploration phase Oil and gas assets

Once the legal right to explore has been acquired, geological and geophysical exploration costs and costs directly associated with an exploration well are capitalized as exploration and evaluation intangible or tangible assets, according to the nature of the costs, until the drilling of the well is complete and the results have been evaluated.

If no reserves are found, the exploration asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially; the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas properties after impairment is assessed and any resulting impairment loss is recognised.

Development and production phase Oil and gas assets

Individual assets are grouped together as a cash-generating unit for impairment assessment purposes at the smallest group of assets from which their identifiable cash flows, that are largely independent of the cash flows of the other group's assets, can be determined. In the case of exploration and evaluation phase properties this will normally be at an individual licence level. For development assets this will normally be at an individual field level.

If any such indication of impairment exists, the group makes an estimate of its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount of an individual asset or a cash generating unit exceeds its recoverable amount, the property/cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the property/cash-generating unit and are discounted to their present value that reflects the current market conditions. For properties in the exploration and evaluation phase, such an assessment requires a high degree of management judgment and the use of estimates and assumptions.

In some circumstances, the conditions which give rise to an impairment loss may change. Here, the impairment loss may be reversed so that the carrying amount of the property/cash-generating unit is increased to the revised estimate of its recoverable amount. However, the carrying amount is not permitted to exceed the amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Other property plant and equipment

Other property plant and equipment includes non-oil and gas assets such as office buildings, motor vehicles, IT equipment and office fixtures and fittings. Freehold land is not subject to depreciation.

Depreciation on these assets is calculated on a straight line basis over the assets useful economic life, taking into account the scrap or disposal value. The rates used are as follows:

Buildings	5 to 50 years
Motor vehicles	3 to 7 years
Office equipment	3 to 5 years
IT equipment	3 to 5 years
Fixtures & fittings	3 to 10 years

Financial Instruments

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities" as defined by the accounting standard.

Financial assets and financial liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are measured at fair value, with changes in those fair values recognized in Other Comprehensive Income ("OCI"). Financial assets "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method of amortization.

Cash and cash equivalents are designated as "held-for-trading" and are measured at fair value. Accounts receivable and accrued revenues are designated as "loans and receivables". Accounts payable and accrued liabilities and long-term debt are designated as "other financial liabilities". The group's listed investments are designated as "available for sale".

Inventory

Crude oil inventory consists of oil and gas produced and in storage tanks or in transit and is recorded at the lower of production cost, determined on a weighted average basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. Supplies inventory is recorded at the lower of cost, determined on a weighted average basis, and net realisable value.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment is recognised when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents include cash on account and highly liquid investments with a term to maturity of three months or less at the date of purchase.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Any difference between the initial proceeds and the redemption value forms part of the borrowing cost.

Finance income and costs

Bank and loan interest is recognised in the income statement over the period in which they are incurred at the effective interest rate applicable. Debt issue costs are allocated against the relevant loan liability at its inception. The cost is amortised into the income statement at its effective interest rate.

Unwinding of present value discounts arising from asset retirement obligations or deferred licence

acquisition costs are expensed as finance cost when incurred.

Interest income on cash and short term deposits are recognised as the interest accrues at the effective interest rate applicable.

Other long term liabilities

Certain long term liabilities are accounted for on a discounted cash flow basis. Interest expense also includes the cost of unwinding the present value discount applied to historical cost liabilities and deferred licence acquisition costs.

The group does not capitalise interest and similar expenses to cost of acquisition, construction or production of its oil and gas assets

Income tax

Current income tax payable is based on the taxable profits for the year, adjusted for items of income or expenditure that are taxable or deductible in other periods and items of income or expenditure which are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

The Company follows the liability method of accounting for future income taxes. Under this method, income tax assets and liabilities are recognised based on the estimated tax effects of temporary differences in the carrying values of assets and liabilities in the financial statements and their respective tax bases, using income tax rates substantively enacted at the balance sheet date. The effect of a change in income tax rates on the future income tax assets and liabilities is recognised in income or loss in the period of the change. Valuation allowances are made against future income tax assets to the extent that the asset is not expected to be realised.

Revenue recognition

Sales of crude oil and gas are recognised in the period in which the risks and rewards of ownership has transferred to the customer. Revenue is measured excluding VAT, export duties, royalties and similar expenses.

Revenue from the production of oil and gas has an interest with other producers is recognised based on the group's working interest and the terms of the relevant production sharing agreement. Differences between production sold and the group's share of production are insignificant.

Export and production taxes

Costs are recognised in the income statement based on production or sales volumes of crude oil by applying the appropriate rate when the product is produced or sold.

Employee Benefit Plans

Pension expense for the defined contribution pension plans is recorded as the benefits are earned by the employees covered by the plans.

4. Business operating risks

Oil and gas industry risks

Risks in the oil and gas industry include price fluctuations for commodity prices, operational risks and environmental concerns. Oil and natural gas prices have fluctuated widely during recent years and are determined by both global and local supply and demand factors. Altius manages its operations in order to keep exposure to these risks to reasonable levels, including the use of hedging instruments and forward sale, fixed price contracts to hedge its exposure.

Operational risks in the oil and gas industry include exploration and reserve estimate risks, costs and availability of services and materials, premature reservoir declines, blowouts, well bore collapse, equipment failure and other accidents and adverse weather conditions. Altius attempts to mitigate these risks by employing experienced field personnel, consultants and contractors.

The oil and gas industry is subject to extensive environmental and other regulation imposed by governmental authorities. Altius has existing policies and practices that ensure its operations conform to the standards and government regulations required.

The non-fulfilment of contractual work commitments set out in the group's Kazakh exploration and development licences could result in punitive actions being taken by the Government. This could include suspending or revoking the licenses for which the work commitment was not fulfilled.

Political and economic conditions in Kazakhstan

Whilst there have been improvements in the economic situation in Kazakhstan in recent years, the economy continue to display some characteristics of emerging markets. These characteristics include, but are not limited to, the existence of currencies that are not freely convertible outside of the respective countries, a low level of liquidity of debt and equity securities in the markets and relatively high inflation.

Additionally, the oil and gas sectors in Kazakhstan are impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, regulatory and political developments, which are beyond the Company's control.

The financial condition and future operations of the Company may be adversely affected by continued uncertainties in the business environment of Kazakhstan. Management is unable to predict the extent and duration of these uncertainties, nor quantify the impact, if any, on the financial statements.

Taxation

Tax legislation and practice in Kazakhstan is in the developmental stage and are therefore subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Company may be charged additional taxes, penalties and interest. Tax periods remain open to review by the tax authorities for three to five years. However under certain circumstances a tax year may remain open longer. The group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective group company's domicile.

5. Significant accounting judgments and estimates

Judgments

The preparation of the group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Reserves

Significant amounts of expenditure on Oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to actual production levels compared to proved and probable oil reserves, which are subject to an independent external assessment, in accordance with Society of Petroleum Engineers guidelines and incorporating estimates of the future cost of developing and extracting those reserves.

Commercial reserves are determined using estimates of original oil in place (OOIP), recovery factors, future oil prices, operating costs and the relevant petroleum taxation regime or in accordance with Petroleum Sharing Agreements with Governments. Future development costs are estimated assumptions of the number of wells required, the cost of such wells and their associated infrastructure.

The level and expected present value of these reserves is also a key determinant in assessing whether the carrying value of any of the group's development and production assets has been impaired.

Deferred taxation

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Carrying value of Oil and gas assets

A significant proportion of the capitalised value of Oil and gas assets are depreciated using unit of production ("UOP") method over proved (developed and undeveloped) and probable Oil and gas reserves.

The calculation of UOP depletion rates could be impacted to the extent that actual production in the future is different from the current forecast production based on Oil and gas reserves, which may result in a significant change to the rate of depreciation of these costs. This would generally arise from significant changes in any of the technical factors involved in the reserves estimate or financial assumptions used.

Oil and Gas exploration costs

Exploration costs are capitalised in accordance with the accounting policy noted above, in accordance with IFRS 6. Initial capitalisation of costs is based on management's judgment that technological and economical feasibility will be confirmed by technical evaluation of the results of exploration drilling programmes and by the creation of a field development plan, both for internal consumption and external regulatory authorities, to demonstrate economic feasibility.

In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Oil and gas asset impairment

The recoverable amount of Oil and gas assets in the development and production stage is assessed on a cash generating unit basis based on the higher of value in use and fair values less cost to sell. These calculations require the use of assumptions and estimates relating to the future. Significant changes in future Oil and gas commodity prices and changes to the specific government oil taxation regime which applies can have a particularly material effect on the financial forecasts being used to calculate value in use.

Technical assumptions as well as financial estimates may also affect the quantity and value of Oil and gas reserves, which themselves impact on the estimate of the fair value of individual field assets.

Provision for decommissioning costs

The group has recognised a provision for decommissioning obligations associated with its existing oil fields. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the oil field infrastructure and plug oil wells from the site, the potential value of scrap metal and other oil field equipment and the expected timing of these costs. The carrying amount of the provision as at 31 December 2009 was \$5.3 million (2008: \$4.9 million).

6. Financial Risk management

As an International oil and gas exploration, development and production company, Altius is subject to risks and uncertainties inherent in the oil and gas industry and to risks inherent to a company of its size and stage of development. Due to the international nature of the company's operations, it is subject to additional risks, including currency fluctuations, political risk, price controls and varying forms of fiscal regimes.

The financial risk factors faced by the group are set out below.

Market risk

The group is exposed to three types of market risk. These are:

(i) Commodity prices

The company is exposed to commodity price risks as it trades crude petroleum products.

(ii) Foreign currency exchange risk

Due to our operations in Kazakhstan, the Company is exposed to foreign currency fluctuations as domestic oil sales in Kazakhstan and a large portion of local expenses are denominated in local currency.

(iii) Interest rate risk

The company is exposed to interest rate cash flow risk-related to the variable interest rates on the long-term debt and other interest-bearing long-term liabilities.

Credit risk

A substantial portion of accounts receivable is related to export oil sales from Kazakhstan with one major customer. The Company's credit risk is mitigated on domestic sales by receiving full or majority payment in advance of each sale.

Liquidity risk

Historically, Altius has relied on access to debt and parent company support to supplement internally generated cash flow to fund its capital commitments and to finance its growth plans. There can be no assurance that Altius will be successful in obtaining the funds required to meet its capital needs on a timely basis or, if successful, that the terms will be advantageous to Altius.

Capital risks

The group manages capital risks to ensure the group's ability to continue as a going concern and maintain an optimal capital structure to reduce its cost of capital and provide returns for shareholders and benefits for other stakeholders.

7. Revenue

For the years ended:	31 December 2009	31 December 2008
	\$000	\$000
Gross revenue	155,584	171,542
Export tax	(21,221)	-
Custom export duties	-	(12,054)
Revenue	134,363	159,488

8. Cost of sales

For the years ended:	31 December 2009	31 December 2008
	\$000	\$000
Employee costs	4,573	6,493
Production costs	16,299	9,268
Changes in inventory	(775)	2,576
Mineral resource extraction tax	11,248	6,445
Depletion, depreciation and amortisation	9,230	17,472
	40,575	42,254

9. Distribution costs

For the years ended:	31 December 2009	31 December 2008
	\$000	\$000
Transportation costs	22,760	17,933
Employee costs	385	354
Other selling costs and similar charges	-	-
	23,145	18,287

10. General and administrative expenses

For the years ended:	31 December 2009	31 December 2008
	\$000	\$000
Legal fees	4	-
Consultancy and other professional fees	507	442
Property costs	146	271
Telecommunications and IT costs	67	62
Employee costs	4,220	5,129
Depreciation	486	431
Loss on disposal of fixed assets	178	784
Other General & Admin costs	11,287	12,520
	16,895	19,639

11. Employee costs

For the years ended:	31 December 2009	31 December 2008
	\$000	\$000
Wages & salaries	8,747	11,089
Social security costs	890	2,453
Pension costs – defined contribution plan	-	-
	9,637	13,542

The average number of people employed (including executive directors) during the year, by activity was as follows:

For the years ended:	31 December 2009	31 December 2008
	number	Number
Field Operations	246	347

Field Management	41	47
Geological and geophysical staff	22	16
Administrative staff	115	134
	424	544

12. Net Finance costs

Net finance costs can be analysed as follows:

For the years ended:	31 December 2009	31 December 2008
	\$000	\$000
Interest expense - long term debt	1,237	1,645
Interest expense - short term debt	-	812
Interest expense – fellow Arawak Energy group companies	2,051	39
Interest expense – fellow Vitol Holding group companies	32	382
Deferred licence costs - unwinding of discount	340	257
Provisions - unwinding of discount	399	436
Foreign exchange gains/losses on financing activities	4	(94)
Less: Interest capitalised	(150)	(516)
Finance costs	3,913	2,961
Interest income on short term bank deposits	7	83
Interest income – fellow Arawak Energy group companies	1,535	3,494
Other interest income	-	31
Finance Income	1,542	3,608
Net finance (cost)/income	(2,371)	647

13. Income tax expense

The income tax cost for the year is as follows:

For the years ended:	31 December 2009	31 December 2008
	\$000	\$000
Current		
Current tax on profits for the year	10,374	44,414
Adjustments in respect of prior years	167	-
Total current tax	10,541	44,414
Deferred taxation		
Origination and reversal of temporary differences	8,164	1,092
Adjustments in respect of tax rates	(8)	(2,776)
Total deferred tax	8,156	(1,684)
Income tax expense	18,697	42,730

The income tax expense on the group's profit before taxation differs from the amount computed by applying the relevant weighted average statutory rate applicable to profits of the consolidated entities is as follows:

31 December 2009	31 December 2008
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For the years ended:	\$000	\$000
Profit before taxes	51,378	79,955
Combined statutory rate	24.86 %	33.83 %
Expected taxes at weighted average statutory rate	12,772	27,048
Tax effects of:		
Non-deductible expenses	(1,195)	1,451
Foreign rate differences	4,743	-
Excess profit tax	1,012	16,676
Non-deductible financing costs	(355)	172
Prior year adjustment	138	-
Utilisation of tax losses not previously recognised	-	182
Change in future tax rates	1,606	(2,789)
Other	(24)	(10)
Tax charge	18,697	42,730
Effective rate	36.4 %	53.4 %

The rate at which Excess profit taxes apply along with the interpretation of the underlying tax legislation can be subjective. All of the Company's fields in Kazakhstan are subject to Excess Profit Tax ("EPT"). From 1 January 2010 EPT rates range from 0% to 60% and are calculated based on the ratio of net income to deductions in excess of 20%.

Prior to 2009 Altius was subject to EPT on the Akzhar, Besbolek and Karaitaikyz hydrocarbon contracts in Kazakhstan at incremental tiered rates based on each contract's cumulative internal rate of return in excess of 20%. The EPT rates for these fields ranged from 0% to 30%. During 2009 the Company accrued \$1.0 million (2008: \$12.7 million) for the Akzhar field and \$0 million (2008: \$4.0 million) for Besbolek, Karaitaikyz and Alimbai fields.

14. Property, plant and equipment

	O&G Properties	Assets under construction	Land and Buildings	Motor vehicles	Office equipment	Total Tangible assets
2009	\$000	\$000	\$000	\$000	\$000	\$000
Opening cost value	81,723	19,237	4,389	1,395	4,010	110,754
Additions	23,176	(1,396)	698	-	1,024	23,502
Disposals	(80)	-	(45)	(1,338)	-	(1,463)
Closing cost	104,819	17,841	5,042	57	5,034	132,793
Opening depreciation	(47,832)	-	-	(1,296)	(1,068)	(50,196)
Depreciation charge	(7,164)	-	-	(11)	(486)	(7,661)
Disposals	32	-	-	1,250	-	1,282
Closing costs	(54,964)	-	-	(57)	(1,554)	(56,575)
Net Book value at 31 Dec 2009	49,855	17,841	5,042	-	3,480	76,218
Net Book value at 31 Dec 2008	33,891	19,237	4,389	99	2,942	60,558

2008	O&G Properties	Assets under construction	Land and Buildings	Motor vehicles	Office equipment	Total Tangible assets
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	\$000	\$000	\$000	\$000	\$000	\$000
Opening cost value	60,106	14,878	3,089	2,564	2,442	83,079
Additions	21,617	4,359	1,300	-	1,568	28,844
Disposals	-	-	-	(1,169)	-	(1,169)
Closing cost	81,723	19,237	4,389	1,395	4,010	110,754
Opening depreciation	(31,912)	-	-	(1,095)	(637)	(33,644)
Depreciation charge	(16,071)	-	-	(201)	(431)	(16,703)
Disposals	151	-	-	-	-	151
Closing costs	(47,832)	-	-	(1,296)	(1,068)	(50,196)
Net Book value	33,891	19,237	4,389	99	2,942	60,558
Net Book value	28,194	14,878	3,089	1,469	1,805	49,435

For the year ended 31 December 2008, the Company capitalised its own labour and direct production overheads of 5.8 million (2008 \$6.9 million) including external loan interest expenses.

	31 December 2009	31 December 2008
	\$000	\$000
Internal costs capitalised		
For the years ended:		
Production salary costs	459	1,566
Raw materials and consumables	5,176	4,859
External loan interest capitalised	143	516
Other	-	5
	5,778	6,946

Impairment of oil & gas properties

The change in the global market prices for crude oil significantly impacts on the group's annual impairment review. For impairment purposes, we have used a combination of several sources, including the Brent forward price curve as at 7 January 2010, the Ryder Scott price forecast assessed by them during their audit of the group's Kazakhstan oil reserves and publically available market price estimates to assess the likely future selling price. We have then applied a country and field specific discount to this to reflect the lower actual process obtained on export and domestic markets where we operate. Other adjustment made reflect quality and transportation differences. The price assumption used is as follows:

Year	2009 assumption Brent \$/Bbl	2008 assumption Brent \$/Bbl
2009 (average Brent price for the year)	62	45
2010	78	50
2011	82	55
2012	84	60
2013	86	65
2014	88	65
2015	90	65

During the 2008 and 2009 reviews, none of the group's Oil and gas properties were considered to be impaired. The cash flows are discounted at the group's weighted average cost of capital ("WACC"). For both 2008 and 2009, this was assessed at 15 %.

15. Intangible assets

	Licences and similar rights	Oil & gas properties (Exploration phase assets)	Geological and Geophysical expenditure	Total Intangible assets
2009	\$000	\$000	\$000	\$000
Opening cost value	2,610	-	48,458	51,068
Additions	-	-	1,109	1,109
Disposals	-	-	-	-
Closing cost	2,610	-	49,567	52,177
Opening depreciation	(2,610)	-	(2,175)	(4,785)
Depreciation charge	-	-	(2,055)	(2,055)
Disposals	-	-	-	-
Closing costs	(2,610)	-	(4,230)	(6,840)
Net Book value at 31 Dec 2009	-	-	45,337	45,337
Net Book value at 31 Dec 2008	-	-	46,283	46,283

	Licences and similar rights	Oil & gas properties (Exploration phase assets)	Geological and Geophysical expenditure	Total Intangible assets
2008	\$000	\$000	\$000	\$000
Opening cost value	2,610	-	32,820	35,430
Additions	-	-	15,638	15,638
Disposals	-	-	-	-
Closing cost	2,610	-	48,458	51,068
Opening depreciation	(2,610)	-	(821)	(3,431)
Depreciation charge	-	-	(1,354)	(1,354)
Disposals	-	-	-	-
Closing costs	(2,610)	-	(2,175)	(4,785)
Net Book value at 31 Dec 2008	-	-	46,283	46,283
Net Book value at 31 Dec 2007	-	-	31,999	31,999

16. Other non-current assets

	31 December 2009	31 December 2008
As at:	\$000	\$000
Receivables from Arawak Energy group companies	69,870	65,656

Total	69,870	65,656
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17. Inventory

As at:	31 December 2009 \$000	31 December 2008 \$000
Supplies	3,282	2,945
Crude oil	2,027	3,139
Total	5,309	6,084

No impairment charges were needed as at 31 December 2009 or 31 December 2008.

18. Trade and other receivables

The fair value of the group's trade and other receivables is set out below:

As at:	31 December 2009 \$000	31 December 2008 \$000
Trade receivables	83	72
Less: provisions for impairment	-	-
Trade receivables (net)	83	72
Prepaid expenses	8,150	3,991
Receivables from Arawak Energy group companies	5,386	5,674
Receivables from Vitol Holding group companies	27,135	1
Refundable value added taxes	7,215	4,567
Total	47,969	14,305

Trade receivables are considered to be fully recoverable and classified as current (less than 60 days from the date of invoice). No amounts are considered to be past due date but not considered to be impaired.

The carrying amounts of the group's trade receivables are denominated in the following currencies:

As at:	31 December 2009 \$000	31 December 2008 \$000
US dollar	27,135	1
Kazakhstan Tenge	83	72
	27,218	73

Receivables from Arawak Energy group companies (which represent loan interest or recharges for the provision of services) are all denominated in US\$.

19. Financial instruments

The Company holds various forms of financial instruments. These financial instruments expose the Company to the following risks:

- credit risk
- market risk

- liquidity risk

Management has primary responsibility for monitoring and managing financial instrument risks under direction from the Board of Directors, which has overall responsibility for establishing the Company's risk management framework.

The Company's financial instruments recognised on the consolidated balance sheet at 31 December comprise:

Year ended 31 December 2009 As at:	Cash	Loans and receivables	Other financial liabilities at amortised cost	Total
	\$000	\$000	\$000	\$000
Assets				
Trade and other receivables (excluding prepayments and recharges)	-	27,218	-	27,218
Cash and cash equivalents	6,612	-	-	6,612
Total	6,612	27,218	-	33,830
Liabilities				
Borrowings	-	-	72,344	72,344
Trade and other payables	-	-	14,805	14,805
Total	-	-	87,149	87,149
Year ended 31 December 2008 As at:	Cash	Loans and receivables	Other financial liabilities at amortised cost	Total
	\$000	\$000	\$000	\$000
Assets				
Trade and other receivables (excluding prepayments and recharges)	-	73	-	73
Cash and cash equivalents	21,228	-	-	21,228
Total	21,228	73	-	21,301
Liabilities				
Borrowings	-	-	64,048	64,048
Trade and other payables	-	-	27,143	27,143
Total	-	-	91,191	91,191

Credit risk

Substantial portions of the Company's accounts receivable are concentrated with a limited number of purchasers of commodities in the oil and gas industry and are subject to normal industry credit risk. Management considers these concentrations of credit risk to be minimal, as commodity purchasers are major industry participants.

The Company's maximum exposure to credit risk of financial assets at the balance sheet date is as follows:

As at:	31 December 2009	31 December 2008
	\$000	\$000

Trade receivable (incl Vitol group trade receivables)	27,218	73
Cash and cash equivalents	6,612	21,229

There are no significant financial assets that are past due or impaired.

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter-party default rates.

As at:	31 December 2009 \$000	31 December 2008 \$000
Trade receivables	27,218	73
Counterparties with external credit rating (agency used)		
Vitol group (BBB; S&P, Fitch)	27,135	1
Counterparties without external credit rating group 1	83	72
Total Trade receivables	27,218	73

group 1 are customers for Domestic oil production in Kazakhstan and Russia with whom sales are made on a cash in advance basis, although some have credit terms of 1 month or less.

Cash at bank is held with financial institutions with the following credit ratings:

As at:	31 December 2009 \$000	31 December 2008 \$000
Cash and cash equivalents		
AA	697	159
A	2,284	19,442
B-/C	3,631	1,627
Total cash and cash equivalents (excluding cash at hand)	6,612	21,228

Market risk

Market risks are as follows and unless hedged are largely outside of the control of the Company:

- Commodity prices
- Interest rates
- Foreign exchange

Commodity prices

The Company is exposed to the risk of declining prices for its crude petroleum products with a corresponding reduction in cash flow. Reduced cash flow may result in lower levels of capital being available for field activity, thus compromising the Company's capacity to grow production while at the same time replacing continuous decline from existing properties. In certain circumstances, usually when debt levels are forecast to increase due to capital expenditures exceeding cash flow, or where the Company has financed, in whole or in part, an acquisition using bank debt, the Company may enter into oil and natural gas hedging derivative contracts in order to provide stability to future cash flow. These contracts reduce the fluctuation in production revenue by setting a minimum level for prices of future deliveries of oil. No such hedging derivatives were in place at 31 December 2009 or 31 December 2008.

The following table summarises the sensitivity of the Company's performance to fluctuations in commodity prices. When assessing the potential impact of the commodity price changes, the Company

believes 10% volatility is a reasonable measure. The sensitivity calculation allows for the impact of commodity prices on the amount of petroleum revenue related taxes, with all other variables held constant. On this basis, the impact on net earnings would be as follows:

For the year ended:	31 December 2009 \$000	31 December 2008 \$000
Average Crude Oil price (US\$ per Bbl)		
10 % increase	7,606	5,575
10 % decrease	(7,606)	(5,575)

Interest rates

Interest applicable to the Company's bank facilities varies, and is most commonly based on variable rates, being US Dollar LIBOR plus a margin. The Company is thus exposed to increased borrowing costs during periods of increasing interest rates, with a corresponding reduction in both cash flows and project economics. The Company had no interest rate swaps or similar contracts in place at 31 December 2009 or 31 December 2008 to reduce interest rate risk.

A 1% change in the US Dollar Libor interest rate would impact the Company's net earnings as follows:

For the year ended:	31 December 2009 \$000	31 December 2008 \$000
Average US Dollar Libor rates	0.97 %	3.56 %
1 % increase	550	440
1 % decrease	(500)	(400)

Foreign exchange

The foreign exchange risk relates to the Company's exposure to currencies other than the functional currency in the area of operation. The Company's product revenues are denominated in US dollars and Kazakhstani Tenge, while costs are incurred principally in Kazakhstani Tenge. As a result of these transactions, the Company holds various financial assets and liabilities in foreign currencies. As at 31 December 2009 and 31 December 2008 the Company had no contracts in place to reduce foreign exchange risk. The following table shows the foreign currency denominated assets and liabilities of the group. As at 31 December 2009 and 31 December 2008, the Company had no derivative instruments in place to hedge foreign exchange risk.

As at 31 December 2009	Cash and cash equivalents \$000	Accounts receivable \$000	Accounts payable, accrued liabilities and other net liabilities \$000	Long term debt incl. current portion \$000
Kazakhstan Tenge	3,631	83	9,678	-
Euros	181	-	-	-
Canadian Dollar	697	-	55	-
US Dollar	2,103	27,135	5,072	72,344
	6,612	27,218	14,805	72,344

As at 31 December 2008	Cash and cash equivalents \$000	Accounts receivable \$000	Accounts payable, accrued liabilities and other net liabilities \$000	Long term debt incl. current portion \$000
Kazakhstan Tenge	1,628	72	22,632	-
Euro	6,198	-	-	-
Canadian Dollar	159	-	17	-

US Dollar	13,243	1	4,494	64,048
	21,228	73	27,143	64,048

The following table shows the effect on earnings and other comprehensive income after tax of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above mentioned financial assets and liabilities of the Company.

As at:	31 December 2009	31 December 2009	31 December 2008	31 December 2008
	Appreciation	Depreciation	Appreciation	Depreciation
Other income and expenditure	-	-	-	-
Net earnings	(2,791)	2,537	482	(438)

Liquidity risk

The Company has a cash forecast and budgeting process to determine the funds required to support the Company's operating requirements, in both the short/medium/ and long term. Liquidity difficulties would emerge if the Company was unable to meet its financial obligations as they fell due within normal credit terms. This may be the consequence of diminished cash flows resulting from lower product prices, production interruptions, or unexpected operating or capital cost increases. Generally the Company will, over a reasonable period of time, limit its capital programmes to cash flow from operations. The table below analyses the maturity of the Company's significant financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2009	0 to 6 months \$000	6 to 12 months \$000	1 to 3 years \$000	4 to 5 years \$000	After 5 years \$000	Total \$000
Calyon loan facility	-	15,000	30,000	-	-	45,000
Accounts payable, accrued liabilities and other net liabilities	10,693	-	-	-	-	10,693
Other long term liabilities	471	481	1,287	1,096	2,338	5,673
As at 31 December 2008	0 to 6 months \$000	6 to 12 months \$000	1 to 3 years \$000	4 to 5 years \$000	After 5 years \$000	Total \$000
Calyon loan facility	-	15,000	41,250	3,750	-	60,000
Accounts payable, accrued liabilities and other net liabilities	12,243	-	-	-	-	12,243
Other long term liabilities	330	337	1,166	993	2,020	4,846

The carrying amounts are fair values of the non-current borrowings are as follows:

As at	Carrying amount		Fair value	
	31 December 2009 \$000	31 December 2008 \$000	31 December 2009 \$000	31 December 2008 \$000
Bank borrowings	30,000	45,000	30,000	45,000

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 2.72 % (2008: 5.31%).

Capital management

Capital management is fundamental to the Company's objective of growing production cost-effectively. The Company's capital comprises shareholders' equity and bank debt. Management of capital involves the preparation of an annual budget, which may only be implemented after approval by the Company's Board of Directors. As the Company's business evolves during the fiscal year, the budget may be amended; however, any changes are again subject to approval by the Board of Directors.

From time to time the Company may enter into hedging arrangements if capital programmes or acquisitions result in a high net debt to cash flow ratio. Such arrangements provide for stability of cash flow during periods when the Company applies cash flow to reduce its net debt.

The Company may issue share capital when debt levels are high and potentially constrain operations.

As at:	31 December 2009 \$000	31 December 2008 \$000
Long term debt	51,827	44,403
Current portion of long term debt and short term debt	14,844	14,799
Less: Cash	(6,612)	(21,228)
Net debt	60,059	37,974
Total shareholders' equity	147,594	114,914
Net debt to capitalisation	40.7 %	33.0 %

20. Trade and other payables

As at:	31 December 2009 \$000	31 December 2008 \$000
Trade payables	7,996	3,225
Amounts due to fellow Vitol Holding group companies	6	-
Amounts due to fellow Arawak Energy group companies	4,181	6,903
Social security and other taxes	(638)	439
Accrued expenses	1,615	1,676
Total	13,160	12,243

21. Short term debt

As at:	31 December 2009 \$000	31 December 2008 \$000
Short-term portion of long term loans	15,000	15,000
Less short term portion of capitalised fees	(156)	(201)
Short term debt	14,844	14,799

22. Long term debt

As at	31 December 2009 \$000	31 December 2008 \$000
Bank loans	45,000	60,000
Less:		
Short-term portion	(15,000)	(15,000)
Unamortised debt issue costs	(622)	(798)
Less:		
Short-term portion	156	201
Due to fellow Arawak Energy group companies	22,293	-
Long term debt	51,827	44,403

In May 2008 the Company's wholly-owned subsidiary Altius Petroleum International BV ("Altius") signed a reserve-based financing agreement with Calyon. The Calyon facility of \$80 million (of which \$60 million had been drawn as at 31 December 2008 and 2009) is secured against a crude oil purchase agreement between Altius and Vitol, and was guaranteed by Altius Energy Limited, the Company's parent undertaking. The facility limit reduces annually and the loan must be repaid in full within five years of the date of the agreement. Interest is paid quarterly at an interest rate of US LIBOR plus 1.75%. An amount of net \$15 million was repaid during 2009, leaving the principal amount outstanding of \$45 million at the year end. Altius has subsequently repaid this loan in full as at 28 May 2010.

The interest expense incurred in respect of these loans is set out in note 4 under the heading long term debt.

23. Other long term liabilities

Other long term liabilities can be analysed as follows:

As at:	31 December 2009 \$000	31 December 2008 \$000
Historical cost liabilities	5,673	4,846
Less:		
Current portion of historical cost liabilities	(601)	(350)
Other long-term liabilities	5,072	4,496

Historical cost

The Company is obliged to reimburse the Government of Kazakhstan for historical geological and exploration expenditure incurred in its licence areas. The outstanding amounts are deferred during the exploration periods and are payable in equal quarterly payments over the respective production periods.

24. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

As at:	31 December 2009 \$000	31 December 2008 \$000
Deferred tax asset to be recovered after 12 months	1,535	1,137

Deferred tax asset to be recovered within 12 months	-	-
Net deferred income tax assets	1,535	1,137
Deferred tax liability to be recovered after 12 months	12,689	4,234
Deferred tax liability to be recovered within 12 months	91	-
Net deferred income tax liabilities	12,780	4,234
Net deferred income tax liabilities	11,245	3,097

25. Provisions for decommissioning costs

The asset retirement obligation is estimated based on the expected costs to abandon existing wells and facilities and to restore the existing sites, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligation is \$ 7,7 million (2008 - \$7.9 million), which is expected to be incurred between 2009 and 2020. The Company has used a discount rate of 10 % to calculate the net present value of the asset retirement obligation (2008 – 9.7%) and the inflation rate of 10% is used to calculate expected future costs (2008 – 7.7%).

	31 December 2009	31 December 2008
	\$000	\$000
As at		
As at 1 January	4,912	3,170
Additional provision	192	1,436
Unwinding of discount	303	418
Utilised during the year	(80)	(112)
As at 31 December	5,327	4,912

26. Share capital

Common shares outstanding	31 December 2009		31 December 2008	
	Number of shares	\$000	Number of shares	\$000
Issued:				
Balance, beginning of period	29,620,259	52,419	29,620,259	52,419
Balance, end of period	29,620,259	52,419	29,620,259	52,419

On 20 July 2010, the company undertook a share split. As a result of this, the number of existing shares was increased to 182,644,452 from 29,620,259 shares with no increase in the nominal value of the common shares. Under Canadian law, the common shares have no fixed nominal value per share. The effective nominal value per share has decreased from \$1.77 to \$0.29 per share.

27. Cash flow statement

Reconciliation of Profit before taxation to Cash generated from Operations

	31 December 2009	31 December 2008
	\$000	\$000
For the year ended:		
Profit before taxation	51,377	79,955
<i>Adjustments for non-cash items</i>		
Depreciation and amortisation	9,716	17,225
Loss on disposal of fixed assets	178	784

Non-cash interest, netto	1,176	(2,911)
<i>Change in working capital</i>		
Decrease/(Increase) in Inventory	775	(2,578)
(Increase) in Trade and other receivables	(33,664)	(20,499)
Increase/(Decrease) in Trade and other payables	917	(6,355)
Cash generated from Operations	30,475	65,621

Non-cash transactions

There were no non-cash transactions during 2009 and 2008. Capitalised property and equipment includes expenditure which was not settled in cash in the year of acquisition. The most significant non-cash elements are as follows:

As at	31 December 2009 \$000	31 December 2008 \$000
Fixed asset additions	24,611	44,482
Less:		
Non-cash additions	(2,400)	(361)
Asset retirement obligations	(192)	(1,436)
Total additions per the cash flow statement	22,019	42,685

28. Commitments and contingent liabilities

Work commitments

Pursuant to its contracts, Altius has minimum spending commitments for several of its oilfields in Kazakhstan. Non-fulfilment of contractual work commitments could result in punitive actions by the Government, including suspending or revoking the licenses for which the work commitment was not fulfilled.

The work commitments for each of the next five years and in total are as follows:

\$000	2010	2011	2012	2013	Thereafter	Total
Akzhar	-	-	-	-	-	-
Besbolek	-	-	-	-	-	-
Karataikyz	-	-	-	-	-	-
Alimbai	113	113	113	113	9,335	9,787
Total	113	113	113	113	9,335	9,787

Expenditure and lease commitments

Commitments under operating leases and similar contractual arrangements for each of the next five years and in total are as follows:

\$000	2010	2011	2012	2013	Thereafter	Total
Buildings	-	-	-	-	-	-
Machinery	65	-	-	-	-	65
Trucking costs	3,220	-	-	-	-	3,220
Pipeline costs	20,804	-	-	-	-	20,804
Total	24,089	-	-	-	-	24,089

Litigation

There was no material litigation at either year end date.

29. Related party transactions

All of the transactions below are recorded according to the terms of the related party contracts, which are on terms which management believes are no more and no less favourable than those with unrelated parties. Vitol Holding B.V. and its subsidiaries.

A member of the Vitol group ("Vitol") of companies owned 100 % of the Company's outstanding shares at 31 December 2008 and 2009. Most of the transactions were in the normal course of operations and all have been recorded at the exchange amount.

a) Crude oil sales

Revenues from Kazakhstan export crude oil sales during the twelve months ended 31 December 2009 received from Vitol group were \$147 million (2008: \$147 million). Accounts receivable at 31 December 2009 include revenues from export crude oil sales to Vitol group of \$27.1 million (31 December 2008 – \$Nil million). An element of the sales price is settled at the date of sale. The remainder falls due for repayment 30 days later.

b) Transportation and selling costs

Transportation and selling costs include \$0.05 million (2008: \$Nil million) charged by Vitol group associated with export oil sales and related accounts payable and accrued liabilities outstanding at 31 December 2009 was nil (31 December 2008 – nil).

c) Services provided by fellow group undertakings

i) Oil field services

Leopard Services LLP, a Kazakhstan based business, provides certain well workover and transportation services to the group's Kazakhstan branches. Production expenses include \$15.9 million (2008: \$5.9 million). Amounts included in prepayments \$nil (2008: \$nil million) and creditors due within 12 months \$nil (2008: \$0.18 million).

ii) Management services

Arawak Energy Limited, the Company's immediate parent undertaking provides management and corporate services (legal, technical, finance) to the group. As part of the cost of providing these services, an element of head office overhead costs are also recharged.

d) Reserve-based finance facility

In May 2008, the Company's wholly owned subsidiary Altius Petroleum International BV signed an agreement with Calyon for a five-year \$80 million reserve-based finance facility with Vitol participating alongside Calyon, providing \$20 million of the original loan. The interest payable to Calyon in respect of the Vitol participation was \$0.9 million in 2009 (2008 - \$0.5 million).

30. Senior management remuneration

Altius considers that the group has two senior management, who are primarily responsible for executive management of the group. Their total remuneration was as follows:

As at:	31 December 2009	31 December 2008
	\$000	\$000
Wages & salaries	649	809
Social security costs	47	156
Pension costs – defined contribution plan	110	38
Total	806	1,003

31. Events after the balance sheet date

Construction of the PSP facility at Kenkiyak and the oil transportation pipeline between the Akzhar field and Kenkiyak commenced in late 2009. Construction of the PSP and the pipeline was completed in March/April 2010, with the PSP coming on stream immediately following regulatory approval. Pressure testing of the pipeline was completed satisfactorily, regulatory approval was issued and enabling the pipeline to come on stream in June 2010. The pipeline enables us to virtually double's our production capacity from the Akhzar field and has the potential for a further significant increase in capacity at limited additional capital cost. Completion of the pipeline and PSP enables very significant increases in production from the Akhzar field, which is currently constrained by transport capacity issues.

At the end of May 2010, the group repaid the outstanding \$45 million loan with Calyon.